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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON 25, D. C.

FAS FIELD INSTRUCTION NO. 12
August 30, 1956

SUBJECT: Procedures for the Depositing of Foreign Currencies Resulting
from Sales under Title I, Public Law 480.

- I. PURPOSE: To clarify the procedures involved in the deposit to the United States account of the local currency equivalent of dollars disbursed in financing sales under Title I, Public Law 480, purchase authorizations.
- II. TITLE I FINANCING PROCEDURE: The primary distinction between the procedures used in financing commodity transactions under the Title I program and the Mutual Security program is to be found in the method of obtaining foreign currency deposits. Rather than establishing a staff to perform the fiscal control function of determining the exact amounts of foreign currency deposits required and submitting periodic notification and billing to the foreign governments (as is done by ICA) USDA decided to place this function in commercial banking channels.

Title I regulations and purchase authorizations therefore provide that U. S. banks, operating under the letter of commitment method of financing, have letter of credit arrangements with banks in the importing country (or have an assignment from the importing country in order to pay ocean freight bills under a direct reimbursement purchase authorization). U. S. banks are authorized to draw drafts on the Commodity Credit Corporation in the amount paid to U. S. exporters under letters of credit for the account of the foreign banks (or paid on direct reimbursement under an assignment). The foreign bank under its fiduciary relations with the U. S. bank has the same obligation to honor and pay the documents and advice of dollar disbursement when received by it from the U. S. bank as it would have in connection with an entirely commercial transaction. The only difference is that its obligation is not to pay in dollars to the U. S. bank but to pay the local currency equivalent of the dollar value of the documentation to the account of the United States. The Commodity Credit Corporation performs a post audit of foreign currency deposits made against the dollar disbursements records, and, if discrepancies exist, adjustments of over-deposits are made through refund or, in the case of insufficient deposits, appropriate action instructions are issued by Washington.

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While difficulties have been experienced in obtaining deposits under this procedure it has worked well in most cases, particularly in those countries where the government has made the banks responsible for making the deposits directly to the account of the U. S. Disbursing Officer rather than having such deposits channeled through government agencies.

After a Title I agreement has been entered into, the U. S. Treasury Department sends instructions to the U. S. Disbursing Officer with regard to the establishment of the U. S. account, receipt and withdrawal of deposits, and other accounting matters. Since exchange rates may change, most agreements include a formula for determining the rate of exchange rather than a specific rate in terms of units of foreign currency per U. S. dollar. The formula in most cases is "the rate generally applicable to import transactions (excluding imports granted a preferential rate)". To insure that the formula is interpreted in the same way by the U. S. Embassy and by the various Washington agencies concerned, FAS in cooperation with the State and Treasury Departments initiates an air instruction which confirms any previous communications and identifies the exchange rate in specific numerical terms. This instruction as well as the accounting instructions are issued after the official text of the agreement becomes available to the agencies concerned.

Deposits are required to be made at the rate of exchange in effect on the date the dollars were disbursed by the U. S. bank. It is the function of the foreign bank, upon the receipt of the documentation showing the amount and date of dollar disbursement by the U. S. bank, under sight letter of credit to show the rate of exchange and make the necessary computations, deposit the required amount of local currency for the account of the U. S. Disbursing Officer, and to furnish the deposit information required under the PA to be supplied to the U. S. Disbursing Officer.

Substantially the same requirements exist with respect to time letters of credit, except that documents are released to the importer upon receipt, and the deposit of local currency is made upon the due date of the draft, at the rate in effect on such date. The nature of the Title I program operation is such that the information as to dollar disbursements can not be supplied currently by the USDA, Washington, under the letter of commitment method of financing. As pointed out above the Department preferred to place the fiscal control function (except for post audit and the making of any necessary adjustments) in commercial banking channels. Several U. S. banks may be engaged in financing sales under one purchase authorization. Copies of the documentation are routed from the U. S. banks through the Federal Reserve Banks to field offices of CCC. These offices submit monthly reports to CCC,

Washington, and CCC reports any deficiencies in foreign currency deposits to FAS. Thus, it would not be possible for USDA to furnish to the U. S. Embassy, statements of deposits required in time to obtain the deposits nearly as promptly as they are obtained under the system being used.

- III. INFORMATION SUPPLIED DIRECTLY TO THE ATTACHE. Each attache is notified by cable when a purchase authorization is issued to the government of the country in which he is stationed. Copies of the application requesting issuance of the purchase authorization and the purchase authorizations are mailed to the Attache promptly. The purchase authorization shows the maximum amount of dollars which will be disbursed and the period during which purchases may be made in order to be eligible for financing. Exporters are required to send copies of each ocean bill of lading to FAS. One copy of each bill of lading will be mailed to the attache in the future instead of the bill of lading abstract form presently being mailed. If the attache desires to have cable advice showing the expected time of arrival of shipments, this will be done upon request.

As dollar disbursement figures are received by FAS from CCC, a statement of the amount disbursed under each purchase authorization through the end of the last month covered is sent to the attache. These statements are sent out about four to six weeks after the end of the final month covered by the statement.

- IV. ACTION REQUIRED OF THE ATTACHE. The Agricultural Attache has general responsibility for assuring that the deposit procedure is followed and that deposits are made on the basis of information reported to him, and for reporting to FAS any failure to make prompt deposits of deficiencies as reported. Actual discussions which may be necessary with government officials or banks are, in some cases, conducted by other officials in the Embassy. However, the attache should keep informed of such discussions and assure that satisfactory arrangements are made.

The attache is responsible for checking with the Disbursing Officer upon receipt of the monthly statement of dollar disbursements from FAS, for the purpose of ascertaining whether deposits have been made in approximately the required amount for the period involved.

The attache is not responsible, on a routine basis, for the accuracy of exchange rate computations or for assuring that the exact amount is deposited against each transaction. Where discrepancies of this nature are discovered upon CCC's post audit of the Disbursing Officer's account current against the record of dollar disbursements, the detailed information and instructions as appropriate will be forwarded either to the attache or to the Embassy.

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